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FISCAL IMPACT STATEMENT

LS 6857

BILL NUMBER: SB 218

NOTE PREPARED: Dec 23, 2003

BILL AMENDED:

SUBJECT: Local Option Income Taxes.

FIRST AUTHOR: Sen. Long

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that a civil taxing unit's distributive share of County Option Income Taxes may be used for any lawful purpose. The bill expands the use of the County Economic Development Income Tax to any lawful purpose of a county, city, or town.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Under the bill, there could be a shift of County Option Income Tax (COIT) or County Economic Development Income Tax (CEDIT) revenue from uses allowed under current law to any lawful purpose a civil taxing unit chooses. Under the bill, CEDIT counties with bonds outstanding for economic development projects or for the lease of property would not be allowed to expend money for other lawful purposes allowed by the bill if the expenditures would adversely affect owners of outstanding bonds or payment of lease rentals.

Explanation of Local Revenues: *Summary:* The proposal should be revenue neutral with respect to counties receiving future certified distributions from either COIT or CEDIT. The bill does not authorize counties to adopt additional changes to either COIT or CEDIT tax rates.

Background COIT: Under current law, counties may use COIT revenue for the following purposes:

- (1) Replace property tax revenue lost by taxing units and school corporations for increased homestead credit.
- (2) To fund operations of public communications systems and computer facilities districts.
- (3) To fund the operation of public transportation corporations.
- (4) To finance certain economic development project bond issues.
- (5) To fund blighted area redevelopment initiatives in Marion County.
- (6) To make allocations of distributive shares to civil taxing units.

Additionally, under current law, distributive shares are treated by each civil taxing unit as additional revenue for fixing the unit's budget in the year of the distribution of the share.

The total CY 2004 certified distribution for the 27 counties that currently impose COIT is \$420.2 M.

Background CEDIT: Counties imposing CEDIT may use revenue for economic development projects, capital development projects including bond issue and retirement, lease of rentals for a capital development project, substance removal projects, or a revolving fund for bond proceeds under IC 5-1-14-14. Counties that have adopted an ordinance to the effect may use CEDIT revenue to provide additional Homestead Credits up to the total amount of the county's residential tax shift from an inventory deduction of 100%.

Sixty-seven counties impose CEDIT with a total CY 2004 certified distribution of \$172.7 M.

State Agencies Affected:

Local Agencies Affected: County auditors and treasurers in counties with either COIT or CEDIT.

Information Sources: State Budget Agency.

Fiscal Analyst: Chris Baker, 317-232-9851.